

K00A
Department of Natural Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$44,612	\$44,850	\$51,740	\$6,890	15.4%
Contingent & Back of Bill Reductions	0	0	-1,279	-1,279	
Adjusted General Fund	\$44,612	\$44,850	\$50,461	\$5,610	12.5%
Special Fund	109,126	121,899	133,665	11,766	9.7%
Contingent & Back of Bill Reductions	0	0	-77	-77	
Adjusted Special Fund	\$109,126	\$121,899	\$133,588	\$11,689	9.6%
Federal Fund	27,041	28,405	26,697	-1,708	-6.0%
Contingent & Back of Bill Reductions	0	0	-12	-12	
Adjusted Federal Fund	\$27,041	\$28,405	\$26,685	-\$1,720	-6.1%
Reimbursable Fund	12,235	15,217	12,402	-2,815	-18.5%
Adjusted Reimbursable Fund	\$12,235	\$15,217	\$12,402	-\$2,815	-18.5%
Adjusted Grand Total	\$193,014	\$210,372	\$223,136	\$12,764	6.1%

- The Department of Natural Resources' (DNR) budget includes a fiscal 2013 deficiency of \$3.6 million in general funds, \$0.05 million in special funds, and \$0.8 million in federal funds. The general fund deficiency includes \$2.8 million to support reduced revenues for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, \$0.5 million for water quality monitoring related to drilling proposed in the Marcellus Shale, and \$0.3 million to backfill federal fund cutbacks for the Maryland Conservation Corps program.
- The overall adjusted change in the DNR budget is an increase of \$12.8 million, or 6.1%, once the adjustment for a \$1.2 million general fund reduction contingent on a provision in the Budget Reconciliation and Financing Act of 2013 is made. The major change is a net increase of \$15.8 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies. However, once the \$16.4 million in trust fund monies for other agencies is allocated to the

Note: Numbers may not sum to total due to rounding.

For further information contact: Andrew D. Gray

Phone: (410) 946-5530

K00A – Department of Natural Resources

Maryland Department of Agriculture and the Maryland Department of the Environment, DNR's fiscal 2014 budget increase of \$12.8 million becomes a \$3.6 million decrease relative to the fiscal 2013 working appropriation.

Personnel Data

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>
Regular Positions	1,279.00	1,293.50	1,294.50	1.00
Contractual FTEs	<u>365.88</u>	<u>392.53</u>	<u>404.46</u>	<u>11.93</u>
Total Personnel	1,644.88	1,686.03	1,698.96	12.93

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	53.42	4.13%
Positions and Percentage Vacant as of 12/31/12	109.15	8.44%

- Regular positions increase by 1 in the fiscal 2014 allowance due to a new park services manager I position. The new position will serve as the park manager for the new Harriet Tubman Underground Railroad State Park.
- Contractual full-time equivalents (FTE) increase by a net of 11.93 FTES in the fiscal 2014 allowance.

Analysis in Brief

Major Trends

Forest Stewardship Plans and Acres Increase but Are Inconsistent with Acres of Management: Forest Stewardship Plans and acres increase between fiscal 2011 and 2012 after the end of the Forest Brigade project. **The Department of Legislative Services (DLS) recommends that DNR comment on why the total acres of management practices implemented is so low relative to the approximately 250,000 acres for which the plans have been written.**

Some Natural Resources Police Metrics Down: There are downward trends between fiscal 2009 and 2014 estimated in the number of hunters checked and the number of boating inspections by the Natural Resources Police, which appears to be correlated with a reduction in the number of law enforcement officers. **DLS recommends that DNR comment on Natural Resource Police's ability to handle its routine workload including enforcement of natural resources law, boating inspections, and hunter checks.**

Critical Area Programs Fully Consistent with Regulations and Amendments: Local Critical Area Programs became fully consistent with regulations and amendments in fiscal 2013. **DLS recommends that DNR comment on why there has been a steady decline in the number of projects reviewed.**

DNR's First Reporting on Use of Social Media: DNR's fiscal 2014 Managing for Results submission includes first-time data on social media follower data. **DLS recommends that DNR comment on the types of feedback loops generated by social media such that opportunities have been identified and pursued and problems have been recognized and resolved more effectively than might otherwise have been the case.**

Issues

Hunting Fees Restriction Still to Be Resolved: HB 1419 of 2012 (Natural Resources – Hunting Licenses and Stamps) did not pass. Therefore, the requirement that DNR divert \$1.00 from the sale of specified hunting licenses to the processing of deer for donation to the needy is still in State law, which contravenes the federal requirement that fee revenue from hunting license sales not be used for purposes other than wildlife management. SB 619 has been introduced in the 2013 legislative session and would address the \$1.00 diversion requirement issue, among other actions. **DLS recommends that a provision be added to the Budget Reconciliation and Financing Act of 2013 relieving DNR of the requirement to divert \$1.00 from the sale of hunting licenses to the processing of deer for donation to the needy.**

Southern States Energy Compact Dues in Limbo: The Southern States Energy Board originated as the Southern Interstate Nuclear Board, created in 1962 by the Southern Interstate Nuclear Compact. The compact has been approved by 16 southern states, Puerto Rico, the Virgin Islands, and the

U.S. Congress. Maryland ratified the compact in 1963. DNR indicates that it no longer needs the assistance of the board nor can it afford to pay the board's dues because of reduced electricity usage – the source of Environmental Trust Fund revenues – and the other claims on the fund. **DLS recommends that the \$40,000 in special funds programmed for the Southern States Energy Board dues be deleted for fiscal 2014 and that, in the short term, DNR and the Administration either pay the fiscal 2013 dues, bring in a negative deficiency to remove the fiscal 2013 appropriation, or reduce the fiscal 2013 appropriation through a Board of Public Works action. In the long term, DLS recommends that DNR and the Administration submit legislation to remove Maryland from the Southern States Energy Compact.**

Maryland Park Service Five-year Strategic Plan Submitted: The budget committees were concerned that the Administration has not acted upon the funding recommendations included in the “Maryland State Parks Funding Study.” Therefore, a report was requested. DNR indicates that it anticipates increased transfer tax revenues and lays out a spending plan. In addition, DNR indicates that it is pursuing cost recovery at its parks. **DLS recommends that DNR comment on the plans for the cost-of-services and cost-recovery management plans; the possibility of expanding both the nonprofit organizations connected with Maryland parks and the use of public/private management models currently used in the State parks; and the status of the study on a statewide foundation by the Governor’s Commission on State Parks.**

Conowingo Dam Filling with Sediment: The Conowingo Dam has been described as the biggest best management practice on the Susquehanna River. It is now near 86% storage capacity for sediment, which means that it may have on the order of 10 to 15 years of storage capacity remaining. A sediment remediation study and federal relicensing of the hydroelectric dam are in play. **DLS recommends that DNR comment on the preferred Conowingo Dam sediment remediation solution, the possible cost, and who might reasonably be expected to pay for it and how.**

Fisheries Service Cost Recovery: Chapter 435 of 2012 ((Natural Resources – Commercial Fishing Licenses, Authorizations, and Permits) required a fair and reasonable allocation of general fund appropriations for fishery management between the recreational and commercial fisheries and a report on cost recovery from the commercial sector. **DLS recommends that DNR comment on how the \$795,462 gap between the potential available new revenues of \$2,500,000 (\$1,600,000 in license fee increase revenue and \$900,000 in general funds) and the overall deficit of \$3,295,462 will be resolved. In addition, DLS recommends that DNR comment on whether the Natural Resources Police, Licensing and Registration Service, and Office of the Secretary could be funded from other sources and thus allow for more special funds to stay within the Fisheries Service.**

Natural Resources Police Level of Service Standards: The budget committees were concerned that the Natural Resources Police does not have standards by which the efficacy of its work can be measured. This was of concern given the amount of scrutiny that poaching in the rockfish and oyster fisheries has raised and the general discussions about staffing shortfalls in the Natural Resources Police. DNR submitted a report that indicates 70 new officers are needed year-round as well as 28 seasonal officers. **DLS recommends that DNR comment on how it intends to fund the**

proposed 70 additional full-time law enforcement officers and 28 seasonal officers needed to reach ideal staffing levels.

Recommended Actions

	<u>Funds</u>
1. Add budget bill language increasing regular position turnover expectancy.	
2. Concur with the Finance and Administrative Service budget bill language.	
3. Delete Southern States Energy Board dues.	\$ 40,000
4. Delete deficiency for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.	2,800,000
Total Reductions to Fiscal 2013 Deficiency Appropriation	\$ 2,800,000
Total Reductions to Allowance	\$ 40,000

Updates

Calvert County Youth Recreation Opportunities Fund Update: Chapter 603 of 2012 (Gaming – Electronic Machines – Regulation) established the Calvert County Youth Recreational Opportunities Fund, which is a special, nonlapsing fund administered by the Secretary of DNR for the purpose of increasing youth recreational opportunities in Calvert County. DNR indicates that preliminary approval has been granted via letter to Calvert County for the county to acquire the Ward property and develop it into a regional park. However, revenue estimates appear to be down by approximately 27%; revenue generated by the fund from July to December 2012 was approximately \$371,000.

Harriet Tubman Underground Railroad State Park Update: The Harriet Tubman Underground Railroad State Park in Dorchester County has been a joint State and federal venture. Dorchester County is the last county without a State park, which will be remedied when park operations start in fiscal 2014/2015.

Executive Order on Climate Change: The Governor signed Executive Order 01.01.2012.29 on climate change and “coast smart” construction on December 28, 2012. The executive order requires that DNR, in consultation with the Maryland Commission on Climate Change and/or other relevant parties as necessary, develop additional proposed guidelines concerning climate change and coast smart construction.

K00A – Department of Natural Resources

K00A
Department of Natural Resources

Operating Budget Analysis

Program Description

The Department of Natural Resources (DNR) preserves, protects, enhances, and restores the State's natural resources for the use and enjoyment of all citizens. To accomplish this mission, DNR is structured into the programmatic units described below.

- **Office of the Secretary:** Provides leadership, public outreach, customer service, legislative, financial, administrative, information technology (IT), and legal services.
- **Forest Service:** Manages the State forests and supports Maryland's forest and tree resources by providing private forestland management expertise, wildfire protection, and urban and community forestry assistance.
- **Wildlife and Heritage Service:** Provides technical assistance and expertise to the public and private sectors for the conservation of Maryland's wildlife resources, including the management of threatened and endangered species, game birds and mammals, and the operation of 110,768 acres of State-owned lands classified as Wildlife Management Areas.
- **Park Service:** Manages natural, cultural, historic, and recreational resources in parks across the State and provides related educational services.
- **Land Acquisition and Planning:** Administers diverse financial assistance programs that support public land and easement acquisitions, and local grants.
- **Licensing and Registration Service:** Operates seven regional service centers that assist the public with vessel titling and registration, off-road vehicle registration, commercial fishing licenses, and hunting and sport fishing licenses.
- **Natural Resources Police:** Preserves and protects Maryland's natural resources and its citizens through enforcement of conservation, boating, and criminal law.
- **Engineering and Construction:** Provides engineering, project management, and in-house construction services.
- **Chesapeake Bay Critical Areas Commission:** Implements the cooperative resource protection program between the State and local governments in the 1,000-foot wide Critical Area surrounding the Chesapeake Bay by reviewing local development proposals, providing technical planning assistance to local governments, approving amendments to local plans, and providing grants for the implementation of local critical area programs.

K00A – Department of Natural Resources

- **Boating Services:** Coordinates the Clean Marina Initiative and Pumpout Program, oversees a State-owned and a State-leased marina, funds public boating access facilities and navigation channel dredging, and places regulatory markers and navigation aids in support of sustainable development, use, and enjoyment of Maryland waterways for the general boating public.
- **Resource Assessment Service:** Evaluates and directs implementation of environmental restoration and protection policy for tidal and nontidal ecosystems, ensures electricity demands are met at reasonable costs while protecting natural resources, and provides scientific assessments and technical guidance for the management of geologic and hydrologic resources.
- **Maryland Environmental Trust:** Negotiates and accepts conservation easements over properties with environmental, scenic, historic, or cultural significance and provides grants, loans, and technical assistance to local land trusts.
- **Watershed Services:** Coordinates State efforts to restore and protect the Chesapeake and Atlantic Coastal Bays by providing financial and technical resources to local governments, State government agencies, nonprofit organizations, and private landowners.
- **Fisheries Service:** Manages commercial and recreational harvests to maintain sustainable fisheries, enhance and restore fish species in decline, and promote fishery ethics and public involvement.

Two of DNR's six primary goals have changed. DNR's goals are now to achieve:

- an annual reduction of coastal nonpoint source pollution from entering Chesapeake, coastal, and ocean waters (formerly sustainable populations of living resources and aquatic habitat in the mainstem of the Chesapeake Bay, tidal tributaries, and coastal bays);
- healthy Maryland watershed lands, streams, and nontidal rivers;
- an improvement in environmental literacy and to motivate individuals and groups to take actions that benefit Chesapeake, coastal, and ocean resources (formerly natural resources stewardship opportunities for Maryland's urban and rural citizens);
- a conserved and managed statewide network of ecologically valuable private and public lands;
- diverse outdoor recreation opportunities for Maryland citizens and visitors; and
- a diverse workforce and efficient operations.

Performance Analysis: Managing for Results

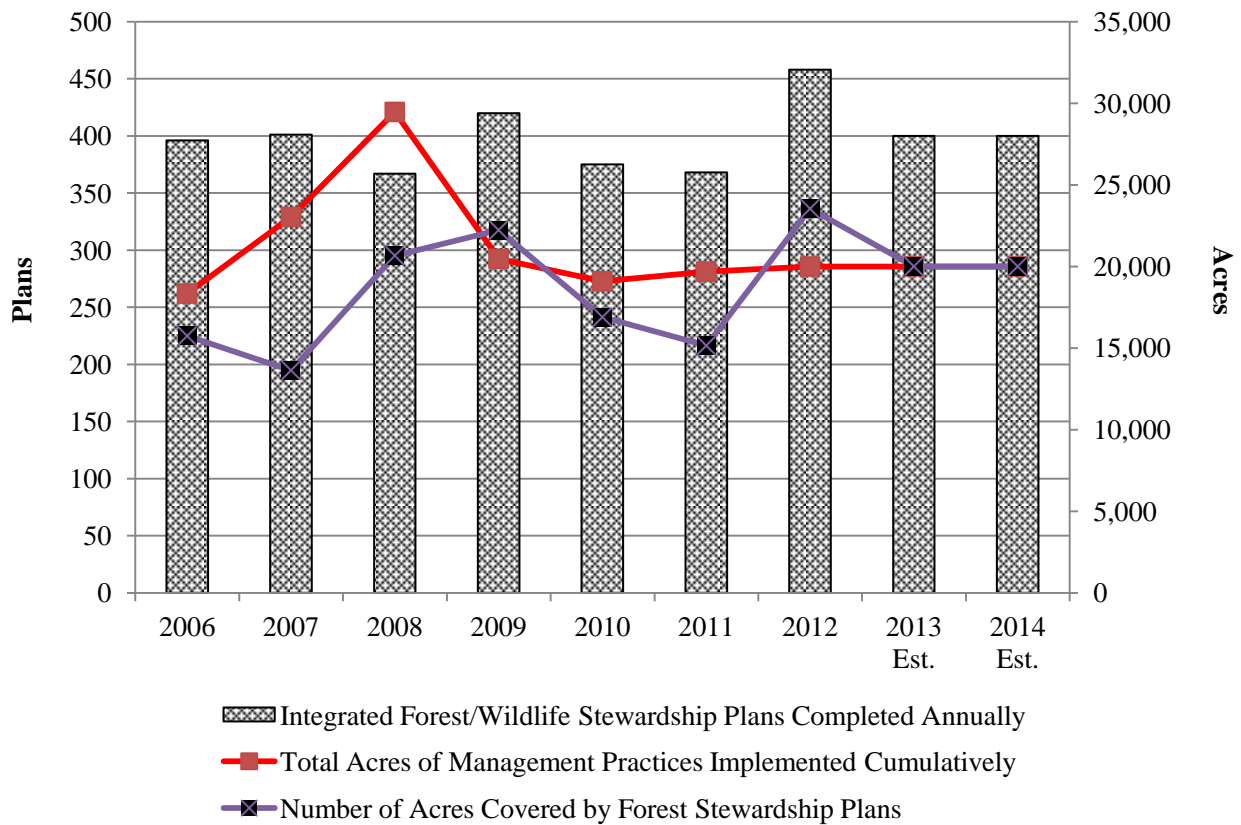
The Managing for Results analysis reviews the increase in the number of Forest Stewardship Plans and acres between fiscal 2011 and 2012 after the end of the Forest Brigade project; local Critical Area programs becoming fully consistent with regulations and amendments in fiscal 2013; downward trends between fiscal 2009 and 2014 estimated in the number of hunters checked and the number of boating inspections by the Natural Resources Police; and the first-time inclusion of social media follower data.

1. Forest Stewardship Plans and Acres Increase but Are Inconsistent with Acres of Management

DNR has a goal of improving water quality with riparian forest buffer restoration and management for healthy forests. A specific objective within this goal is to annually achieve integrated resource management on an additional 15,000 acres of non-industrial private forest land. The number of acres covered by Forest Stewardship Plans increased to 22,228 acres in fiscal 2009 but then declined to a low of 15,148 acres in fiscal 2011, although DNR is still meeting its goal. In last year's analysis, DNR attributed the decline to the economic downturn, a shift in field forester's activities to support new priorities like the Chesapeake Bay natural filters milestone practices and other tree planting efforts, and reductions to the Forest Service's budget. For the fiscal 2014 analysis, DNR indicates that the other tree planting efforts included the Forest Brigade tree planting. The Forest Brigade work ended in fiscal 2011, and since then, DNR has had a substantial increase in staff time that has been focused on addressing the requests received for Forest Stewardship Plan development. For instance, the number of integrated forest/wildlife stewardship plans completed increased from 368 in fiscal 2011 to 458 in fiscal 2012, which led to an increase in the number of acres covered by Forest Stewardship Plans from 15,148 acres in fiscal 2011 to 23,537 acres in fiscal 2012.

Exhibit 1 reflects the increase in the number of plans completed and the increase in the number of acres covered. DNR indicates that the number of acres of management practices implemented does not necessarily track exactly with the number of acres covered by plans because landowners take their time to decide on how they will implement their plans, and so, not all practices will be implemented right away. In addition, DNR indicates that the management practices reported are from forest stewardship plans written over the last 15 years on approximately 250,000 acres. **The Department of Legislative Services (DLS) recommends that DNR comment on why the total acres of management practices implemented is so low relative to the approximately 250,000 acres for which the plans have been written.**

Exhibit 1
Acres of Forest Stewardship Plans Versus
Acres of Management Practices Implemented
Fiscal 2006-2014



Source: Governor's Budget Books, Fiscal 2009-2014

On other forestry matters, DNR distinguishes between the three following categories of tree regeneration:

- **Afforestation** – actively planting where trees have not been growing;
- **Reforestation** – actively replanting where trees have been growing; and
- **Natural Regeneration** – passively allowing trees to grow on their own.

DNR indicates that the acres of restored forest land (afforestation and reforestation) decreased between fiscal 2011 (2,346 acres) and 2012 (1,301 acres) for several reasons. Afforestation is down because of uncertainties in the funding for the Conservation Reserve Enhancement Program and elevated crop prices, which in combination have led farmers to crop marginal land instead of planting trees. Reforestation has decreased because low timber prices have discouraged landowners from selling their timber, and those that have sold their timber are allowing natural regeneration to restock their land instead of actively planting trees through reforestation.

2. Some Natural Resources Police Metrics Down

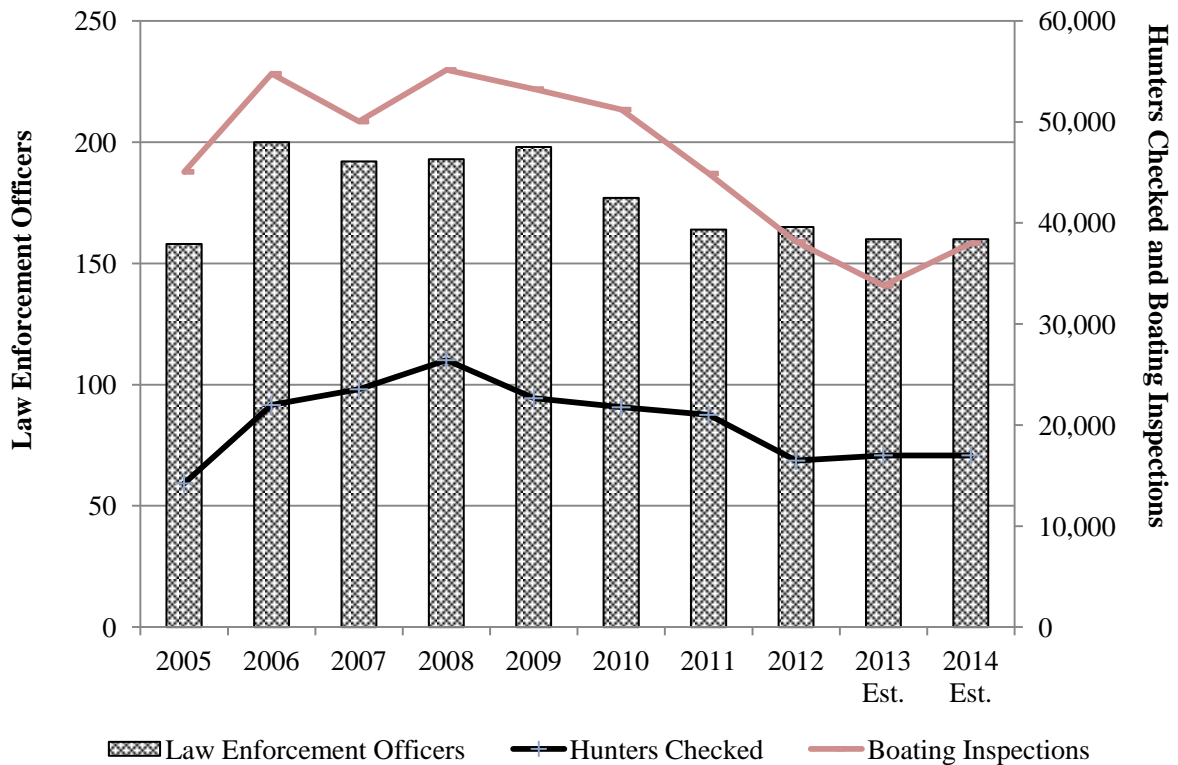
The Natural Resources Police has a goal of diverse outdoor recreation opportunities for Maryland citizens and visitors. The objective connected to this goal is to ensure safe and enjoyable recreational opportunities for boaters, hunters, park visitors and others participating in outdoor recreation activities by providing comprehensive and easily accessible education programs and by actively policing the State's lands and waterways. **Exhibit 2** shows downward trends between fiscal 2009 and 2014 estimates for the number of hunters checked and the number of boating inspections, which appear to be correlated with a reduction in the number of law enforcement officers. However, during the same time period, the State experienced a recession and slow recovery, and thus less boating activity, and declines in hunting activity and thus fewer hunters that need to be checked. These two factors may help to explain the trends.

More specifically, DNR indicates that the changes between fiscal 2011 and 2012 can be attributed primarily to the following:

- **Hours Worked** – Natural Resources Police officers worked 11,546 less hours in fiscal 2012 (278,037 hours) than in fiscal 2011 (289,583 hours) due to officers with longer tenure accruing and taking higher amounts of leave and an increase in the average number of officer vacancies from 28 in fiscal 2011 to 34 in fiscal 2012.
- **Extraordinary Assignments** – In 2012, DNR officers were involved in the following: (1) the G8 Summit at Camp David; (2) several flooding incidents; (3) Hurricane Sandy relief; (4) the 1812 Sailabration; and (5) performing 82 background checks for a class of 19 officers in fiscal 2012 compared to completing 73 for a class of 15 officers that was anticipated in fiscal 2011.

DLS recommends that DNR comment on Natural Resources Police's ability to handle its routine workload including enforcement of natural resources law, boating inspections, and hunter checks.

Exhibit 2
Natural Resources Police Officers Versus
Hunters Checked and Boating Inspections
Fiscal 2005-2014

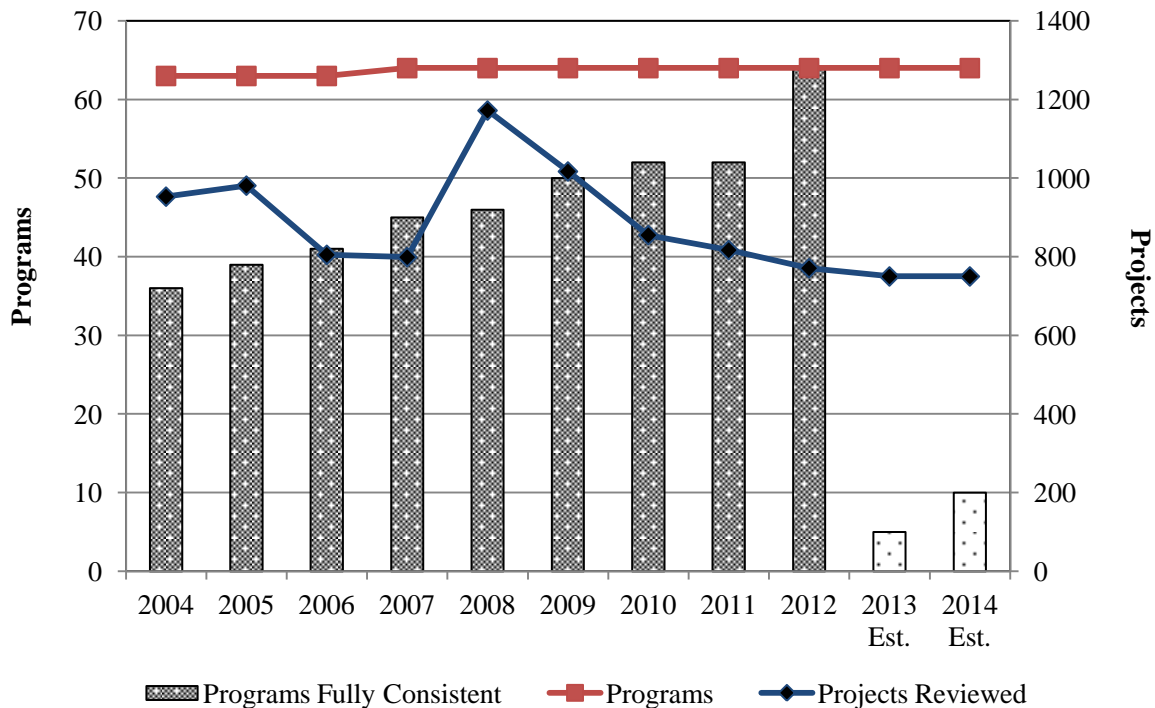


Source: Governor's Budget Books, Fiscal 2008-2014

3. Critical Area Programs Fully Consistent with Regulations and Amendments

The Critical Area Commission, within DNR, has the goal of sustaining populations of living resources and aquatic habitats in the mainstem of the Chesapeake Bay, tidal tributaries, and Coastal Bays. One of the objectives under this goal is to complete comprehensive reviews of local Critical Area programs to assure consistency with law and regulations. By law, local jurisdictions are required to review their Critical Area programs comprehensively every six years to make sure they are consistent with State Critical Area requirements and that they have amended local implementation procedures and practices. DNR reviews the programs at this time as well. As shown in **Exhibit 3**,

Exhibit 3
Critical Area Commission Programs Consistent Versus Projects Reviewed
Fiscal 2004-2014



Source: Governor's Budget Books, Fiscal 2007-2014

there has been a steady increase in the number of local Critical Area programs that are consistent with regulations and amendments. In fiscal 2012, all local Critical Area programs were consistent, which DNR attributes to the development of an up-to-date model ordinance to assist local jurisdictions with the process of updating their local programs outside of the six-year comprehensive review process. DNR shows a substantial reduction in the programs fully consistent between fiscal 2012 and 2013 in order to reflect a new review period. Since a high of 1,172 projects reviewed in fiscal 2008, there has been a steady decline in the projects reviewed, which may be attributable to the recession and slow economic recovery. **DLS recommends that DNR comment on why there has been a steady decline in the number of projects reviewed.**

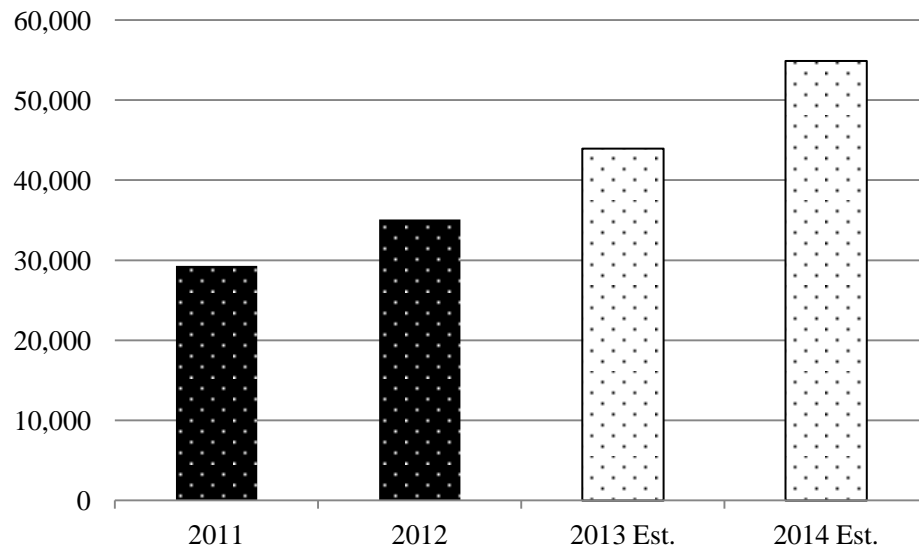
4. DNR's First Reporting on Use of Social Media

Under DNR's goal of a diverse workforce and efficient operations, it has an objective of maintaining, on an annual basis, 100% internal and external media customer satisfaction by maintaining: 24-hour on-call emergency availability to media and staff; responding to all media

inquiries within 24 hours; and responding to 95% of unit/program requests for staff assistance, press releases, and events within the requested deadline.

For the first time, DNR has reported on its use of social media. DNR indicates that social media improves upon traditional forms of media because it allows DNR to communicate directly with its stakeholders in an iterative fashion by responding quickly to questions, thoughts, and needs. **Exhibit 4** shows the increase in social media followers in recent years for Facebook, Twitter, Flickr, Google+, Pinterest, and Foursquare.

Exhibit 4
Department of Natural Resources' Social Media Followers
Fiscal 2011-2014



Source: Governor's Budget Books, Fiscal 2014

DNR describes its social media business plan as a hub and spoke model with an overall umbrella account that shares information departmentwide. Under this account, there are program-wide accounts, for instance with Maryland State Parks, and even individual subprogram accounts for individual parks. Account information is as follows (approximate as of February 3, 2013):

- **YouTube** – 64,000 views;
- **Facebook** – 11 accounts with 11,400 followers and a reach of over 1.5 million people;

K00A – Department of Natural Resources

- **Twitter** – 33 accounts (two leadership accounts in Maryland State Parks and Forest Service) with 16,500 followers and a reach of over 1.5 million people;
- **Foursquare** – 12,420 check-ins to Maryland State Parks;
- **Flickr** – 4,200 images with 7,300 views; and
- **Google+ and Pinterest** – less than 200 followers on each because they are relatively new.

DNR indicates that increasing social media follower counts in excess of 100% per year is an achievable goal but that its efforts currently are more focused on reaching followers who are highly engaged in and directly affected by DNR's programs. **DLS recommends that DNR comment on the types of feedback loops generated by social media such that opportunities have been identified and pursued and problems have been recognized and resolved more effectively than might otherwise have been the case.**

Fiscal 2013 Actions

Proposed Deficiency

The Governor has submitted a deficiency appropriation for the fiscal 2013 operating budget, which would increase DNR's general fund appropriation by \$3,643,000, special fund appropriation by \$49,997, and federal fund appropriation by \$771,590. The increased appropriations would be as follows:

- **General Fund** – for offsetting a revenue shortfall to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (\$2,800,000), for surface water quality monitoring associated with Marcellus Shale gas well drilling (\$385,000), for continuing the Maryland Conservation Corps program (\$343,000), for ground water quality monitoring associated with Marcellus Shale gas well drilling (\$115,000);
- **Special Fund** – for the Potomac River Conservation Job Training Program from the special fund Private Donations in Maryland Park Service (\$49,997); and
- **Federal Fund** – for unanticipated out-of-state fire suppression overtime expenses and federal grant awards for the Forest Service (\$754,000), for an agreement with the National Parks Service as part of the National Trail Systems Recovery Project (\$17,590).

The reasons for the general fund increases are discussed below.

- **Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Revenue Shortfall** – The short-term rental vehicle tax revenue estimate for fiscal 2013 decreased by \$2,944,418 from \$21,615,418 to \$18,671,000, which means that either there will be reductions in the work of DNR’s Natural Filters programs for nonpoint source reduction of nutrients and sediments going to the bay or a deficiency is needed.
- **Marcellus Shale** – The overall \$1.5 million budgeted between DNR (\$0.5 million) and the Maryland Department of the Environment (MDE) (\$1.0 million) reflects the lack of an alternative revenue source to fund the Governor’s Marcellus Shale executive order. DNR funding would be used for surface and groundwater monitoring in Western Maryland in order to provide a baseline to which possible Marcellus Shale drilling environmental impacts may be compared.
- **Maryland Conservation Corps** – The federal AmeriCorps grant supporting the Maryland Conservation Corps program was not awarded in fiscal 2013 due to funding reductions and program changes; thus, DNR has reduced the program size, realigned special funds, and requested general funds. The program supports the Conservation Jobs Corps, operates State park nature centers, provides environmental education programs for schools, and maintains trails and other park infrastructure. The fiscal 2013 working appropriation is \$1,347,000, which includes some federal funding that will not be realized, and the fiscal 2014 allowance is \$1,498,000. The additional funding for fiscal 2014 reflects long-term contractuals to coordinate crews and allow permanent park staff to focus on day-to-day park operations.

DLS recommends that the \$2,800,000 general fund deficiency for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund be deleted to reflect that uncertain revenues must be addressed by adjusted expenditures and that there is \$38,013,000 in general obligation (GO) bond authorization for fiscal 2013, and for fiscal 2014 both \$31,500,000 in special funds and \$36,558,000 in GO bonds.

Cost Containment

Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act (BRFA) of 2012) required the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6 million in general funds. DNR’s share of the reduction was 2 positions, a maintenance chief I and a natural resources technician II, and \$89,845 in general funds. The annualized salary savings due to the abolition of these positions is expected to be \$57,909 in special funds and \$33,613 in federal funds. DNR indicates that both positions were vacant and that the responsibilities of the maintenance chief I position will be covered in Fisheries Service, but the loss of the natural resources technician II position in the Wildlife and Heritage Service means that both physical structure maintenance and habitat managed will continue to be reduced.

Budget Reconciliation and Financing Act of 2013

An action in the BRFA of 2013 authorizes the use of \$1,217,000 of the State's share of Program Open Space (POS) funds in fiscal 2014 and 2015 for administrative expenses in DNR, the Department of General Services, and the Maryland Department of Planning. In addition, the fiscal 2014 operating budget bill provides for a \$1,217,000 reduction in general funds in Finance and Administrative Service contingent upon the BRFA provision being enacted. In the past, this BRFA provision was implemented in the BRFAs of 2009 (Chapter 487) and 2011 (Chapter 397) to backfill the decrease in transfer tax special funds in fiscal 2010 and 2011 and again from fiscal 2012 to 2013 due to the downturn in the economy and fewer properties exchanging hands and thus less transfer tax revenue raised. The transfer tax revenue estimate has rebounded somewhat; therefore, this BRFA provision is being used to provide additional special funds for administrative purposes for two years, thereby enabling an equivalent reduction in general funds. **DLS recommends concurrence with the \$1,217,000 general fund contingent reduction in Finance and Administrative Services.**

Proposed Budget

DNR's fiscal 2014 allowance increases by \$12.8 million, or 6.1%, relative to the fiscal 2013 working appropriation, as shown in **Exhibit 5**. However, when the allocation of \$16.4 million in Chesapeake and Atlantic Coastal Bay's 2010 trust fund monies to the Maryland Department of Agriculture (MDA) and MDE taken into account, DNR's budget decreases by approximately \$3.6 million relative to the fiscal 2013 working appropriation. The changes by fund in Exhibit 5 reflect a \$5.6 million increase in general funds, an increase of \$11.7 million in special funds, a decrease of \$1.7 million in federal funds, and a \$2.8 million decrease in reimbursable funds.

Exhibit 5
Proposed Budget
Department of Natural Resources
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2013 Working Appropriation	\$44,850	\$121,899	\$28,405	\$15,217	\$210,372
2014 Allowance	<u>51,740</u>	<u>133,665</u>	<u>26,697</u>	<u>12,402</u>	<u>224,504</u>
Amount Change	\$6,890	\$11,766	-\$1,708	-\$2,815	\$14,132
Percent Change	15.4%	9.7%	-6.0%	-18.5%	6.7%
Contingent Reduction	-\$1,279	-\$77	-\$12	\$0	-\$1,369
Adjusted Change	\$5,610	\$11,689	-\$1,720	-\$2,815	\$12,764
Adjusted Percent Change	12.5%	9.6%	-6.1%	-18.5%	6.1%
Where It Goes:					
Personnel Expenses					
Retirement contribution					\$1,504
Annualized general salary increase					948
Turnover adjustments.....					646
Natural Resources Police retirement system.....					611
New position in Maryland Park Service					62
Salaries and wages					-1,252
Employee and retiree health insurance net of across-the-board reduction.....					-1,079
Workers' compensation					-135
Other fringe benefit adjustments					16
Other Changes					
<i>Land and Sea</i>					
Cheasapeake and Atlantic Coastal Bays 2010 Trust Fund.....					15,813
Parks revenue sharing payments to counties.....					1,740
Coastal Zone Management program service agreements.....					-1,207
Chesapeake and Pocomoke Forest Lands Project contract					-1,136
Calvert County Youth Opportunities Fund programs					-1,059
Federal blue crab fishery disaster grant spending reduction					-1,000
Maryland Environmental Trust easement purchase					-483

K00A – Department of Natural Resources

Where It Goes:

Homeland Security and Information Technology

Homeland security and police interoperability	-1,403
Homeland security watercraft	-1,305
Maryland Outdoor Customer Service Delivery System.....	-250

Routine Operations

Contractual full-time equivalents	681
State parks cleaning, maintenance, and repair supplies	654
New motor vehicles.....	589
Fuel and maintenance for motor vehicles	537
Other.....	363
Statewide cost allocations	126
Cost containment contingent reduction.....	-1,217

Total	\$12,764
--------------	-----------------

Note: Numbers may not sum to total due to rounding.

Personnel

DNR's overall personnel expenditures increase by \$1.3 million. The personnel expenditure changes are as follows.

- **Retirement Contribution** – Retirement contribution increases \$1,503,778. Statewide contribution rates for the regular employees', teachers', State Police's, and law enforcement officers' pension plans increase in fiscal 2014. The rate increases are attributable to underattained investment returns, adjusted actuarial assumptions, and increased reinvestment of savings achieved in the 2011 pension reform.
- **Annualized General Salary Increase** – General salaries increase by \$947,761 to reflect the annualization of the cost-of-living allowance (COLA) provided on January 1, 2013.
- **Turnover Adjustments** – Turnover adjustments amount to a \$646,149 increase. DNR indicates that the overall 4.13% turnover rate reflects an agencywide rate of 5.0% with the exception of a 3.0% rate for the Natural Resources Police and the Maryland Park Service. The lower rate for the Natural Resources Police and Maryland Park Service reflects the goal of filling vacancies, which is enabled in the Maryland Park Service by an increase in transfer tax revenues. However, the vacancy rate as of December 31, 2012, is 8.44%. **DLS recommends that the agencywide turnover rate be increased to 5.00%.**

K00A – Department of Natural Resources

- **Natural Resources Police Retirement System** – An increase of \$610,839 is due to the Natural Resources Police pension system contribution.
- **New Position in Maryland Park Service** – There is an increase of \$61,655 for the new park services manager I position at the Harriet Tubman Underground Railroad State Park.
- **Salaries and Wages** – Salaries and wages decrease \$1,251,956, which is related to vacant positions being budgeted at the base level in general and vacant Natural Resources Police positions being classified as cadets and candidates at a lower pay grade for hiring purposes.
- **Employee and Retiree Health Insurance Net of Across-the-board Reduction** – Health insurance costs decrease by \$1,079,032, accounting for a statewide across-the-board reduction. The decrease appears to be due to overbudgeting in fiscal 2013. DNR's portion of the across-the-board reduction is as follows: \$62,422 in general funds; \$76,718 in special funds; and \$12,375 in federal funds.
- **Workers' Compensation** – Workers' compensation contribution decreases by \$134,707.

Other Changes

Overall, the nonpersonnel portion of DNR's fiscal 2014 allowance increases \$11.4 million. The areas of change include land and sea, homeland security and IT, and routine operations. The largest change is an increase of \$15.8 million for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund allocation. The BayStat agencies anticipate bringing in a special fund budget amendment to transfer the funding to other agencies after the legislative appropriation has been determined. The changes are as follows.

Land and Sea

- **Chesapeake and Atlantic Coastal Bays 2010 Trust Fund** – There is an increase of \$15,813,155 over the fiscal 2013 working appropriation of \$10,560,000 for a total appropriation of \$31,413,155. However, as noted above, the current plan is to allocate \$16,350,000 in trust fund monies to MDA and MDE.
- **Park Revenue Sharing Payments to Counties** – The Maryland Park Service's budget reflects an increase of \$1,740,000 for revenue sharing payments to counties from park earnings. Chapter 397 of 2011 (BRFA of 2011) prohibited DNR from making the payments in fiscal 2012 and 2013. Statute dictates that each county in which any State forest or park reserve is located annually receive 15% of the net revenues derived from the reserve located in that county. If the forest or park reserve comprises 10% or more of its total land area, then the county annually receives 25% of the net revenues derived from the reserve. The intent of the county payments is to offset the loss in property taxes to counties in which the State owns a significant amount of acreage.

K00A – Department of Natural Resources

- **Coastal Zone Management Program Service Agreements** – The Watershed Services – Chesapeake and Coastal Service appropriation decreases by \$1,207,150 due to reduced funding available for service agreements related to implementing the State’s Coastal Zone Management program from federal Coastal Zone Management Administration Awards.
- **Chesapeake and Pocomoke Forest Lands Project Contract** – There is a \$1,135,500 reduction in special fund expenditures due to how a revenue generating contract is being executed. A contractor implements Forestry Management Services for both the Chesapeake and Pocomoke Forest Lands Projects (over 84,000 acres of forestlands in Caroline, Dorchester, Somerset, Talbot, Wicomico, and Worcester counties). In fiscal 2013, DNR budgeted expenses to the contractor of which all are covered by annual revenues generated through the contract. For fiscal 2014, there are no expenses budgeted for the contractor because the contractor will directly receive the revenues to cover costs per the terms of the contract.
- **Calvert County Youth Opportunities Fund Programs** – Chapter 603 of 2012 (Gaming – Electronic Machines – Regulation) created the Calvert County Youth Recreational Opportunities Fund in DNR for increasing youth recreational opportunities in Calvert County. For fiscal 2013, revenues attributable to a State admissions and amusement tax rate of 8% imposed on electronic bingo and electronic tip jar machines in Calvert County is distributed to the Boys and Girls Club of the Town of North Beach (\$100,000) and the remainder to the Calvert County Youth Recreational Opportunities Fund. For fiscal 2014 through 2016, the allocation is as follows: 1.5% is distributed to the Boys and Girls Club of the Town of North Beach in the amount of \$100,000 and the remainder to the Town of North Beach; 2.5% to the Town of Chesapeake Beach; and 4.0% to the Calvert County Youth Recreational Opportunities Fund. As a result of the change in the distribution between fiscal 2013 and 2014, there is a decrease of \$1,058,800 in special funds.
- **Federal Blue Crab Fishery Disaster Grant Spending Reduction** – The appropriation for the Federal Blue Crab Fishery Disaster Grant is anticipated to decrease by \$1.0 million, from \$2.5 million to \$1.5 million, to reflect the near completion of grant spending. The overall \$15.0 million award was provided after the Maryland and Virginia soft and peeler blue crab fishery landing values had decreased by 41.0% and has been used primarily for a blue crab license buy back program in order to reduce the number of licenses that have not been actively used in crabbing in order to improve management of the fishery.
- **Maryland Environmental Trust Easement Purchase** – Reimbursable funds decrease by \$483,450 in the Maryland Environmental Trust as a result of one-time funding transferred from the State Highway Administration to acquire property easements in Frederick County as part of the “Saving Maryland’s Critical Civil War Battlefields” project, which preserves historic sites in Frederick County.

Homeland Security and IT

- **Homeland Security and Police Interoperability** – There is a net decrease of \$1,403,099 for homeland security equipment, such as mobile data terminals, video interoperability, and automatic identification systems for vessels related to the Maritime Law Enforcement Information Network (MLEIN), and for other items, such as diving equipment. Funding for this equipment was provided by the various federal Port Security Grants received by Maryland and implemented by the Natural Resources Police as the State's primary maritime responder for homeland security on waterways.
- **Homeland Security Watercraft** – One-time fiscal 2013 purchases in Natural Resources Police of a 36-foot Sea Ark patrol boat for the Maritime Tactical Operations Group (\$606,000), a 36-foot Sea Ark patrol vessel (\$457,125), and an air boat (\$242,330) result in a decrease of \$1,305,455 in fiscal 2014.
- **Maryland Outdoor Customer Service Delivery System** – The Maryland Outdoor Customer Service Delivery System IT project appropriation decreases from \$750,000 to \$500,000. The reduction is due to less funding being needed for the geocoding and mapping (\$300,000), and safety education (\$200,000) modules. The overall project is divided into four versions. DNR indicates that Somerset Version 1 instituted components needed to replace the legacy system and is in full production. Version 2 adds commercial licensing and vessel titling/registration components and is in the design phase. Version 3 incorporates park and camping reservation components, and Version 4 adds safety education and geocoding/mapping. Versions 3 and 4 are in the requirements analysis phase.

Routine Operations

- **Contractual Full-time Equivalents** – DNR's fiscal 2014 allowance includes an increase of 11.93 contractual full-time equivalents (FTE) for a spending increase of \$681,230. The major changes are in Fisheries Service (3.74), Watershed Services (3.3), Land Acquisition and Planning (2.0), and Natural Resources Police – General Direction (2.0). Fisheries Service FTEs will work on watershed conservation activities through development of management strategies for land use impacts and providing guidance to planning agencies. The Watershed Services FTEs will assist with the management of field work/projects related to the influx of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies, work on coastal policy and restoration issues in support of local governments meeting Chesapeake Bay restoration goals, and monitor sea level rise and coastal hazards. The Land Acquisition and Planning FTEs will assist with data management for land acquisitions and easements, boundary conflict resolution, and mineral rights mapping and research. The FTEs in the Natural Resources Police will conduct boat tax investigations and thus support themselves and bring in revenues. DNR indicates that some of the FTEs will be considered for long-term positions. **DLS recommends that DNR comment on why contractual FTEs are budgeted for ongoing work that should be done by regular positions.**

K00A – Department of Natural Resources

- **State Parks Cleaning, Maintenance, and Repair Supplies** – Supplies for cleaning, maintenance, and repair in the Maryland Park Service increase by \$653,592 at parks such as Rocky Gap State Park and Assateague State Park.
- **New Motor Vehicles** – Vehicle replacement costs increase by \$588,721. DNR indicates that it used to have a dedicated vehicle replacement account budgeted at \$1 million but that it has replaced vehicles according to its schedule for the last four years and that 46 vehicles have mileage of 180,000 or greater as of August 2012. The aging of the fleet has an impact on maintenance and repair costs too. The majority of the funding is for new Natural Resources Police vehicles.
- **Fuel and Maintenance for Motor Vehicles** – Fuel and maintenance for vehicles increases by \$537,166, primarily due to increases in the Maryland Park Service.
- **Statewide Cost Allocations** – Statewide cost allocations increase \$126,158. Increases for the Department of Budget and Management (DBM) paid telecommunications (\$190,651), the Department of Information Technology (DoIT) services (\$53,294), Attorney General Administration (\$9,531), and the retirement administrative fee (\$3,149) are partially offset by decreases for the statewide personnel system (\$63,631), Office of Administrative Hearings charges (\$37,671), Annapolis Data Center usage charge (\$27,000), and capital leases for telecommunications (\$2,165).
- **Cost Containment Contingent Reduction** – As noted above, there is a reduction of \$1,217,000 in general funds in Finance and Administrative Service contingent upon the BRFA of 2013, which is effectively a cost containment action. DNR will bring in the special fund appropriation by budget amendment.

Issues

1. Hunting Fees Restriction Still to Be Resolved

HB 1419 of 2012 (Natural Resources – Hunting Licenses and Stamps) did not pass. This bill would have eliminated the requirement that DNR divert \$1.00 from the sale of specified hunting licenses to the processing of deer for donation to the needy. The bill provision was in response to a federal audit that found that the diversion of license revenue did not comply with requirements governing qualification for federal matching funds. The requirement is that fee revenue from hunting license sales not be used for purposes other than wildlife management.

DNR is using \$248,000 in general funds for deer processing in fiscal 2013 and 2014, but this does not address the statutory \$1.00 diversion requirement noted above. Instead, DNR will ignore the provision in Natural Resources Article Section 10-308 (the \$1.00 diversion requirement) because following it would endanger federal funding. DNR notes that this approach is supported by Natural Resources Article Section 10-208, which states that DNR will do what is necessary to comply with federal requirements. The \$248,000 is granted to Farmers and Hunters Feeding the Hungry of Williamsport, Maryland, which runs a venison donation program.

SB 619 (Wildlife Management and Sustainability Act of 2013) has been introduced in the 2013 legislative session. The bill would address the \$1.00 diversion requirement issue and raise certain hunting license fees, among other actions. **DLS recommends that a provision be added to the BRFA of 2013 relieving DNR of the requirement to divert \$1.00 from the sale of hunting licenses to the processing of deer for donation to the needy.**

2. Southern States Energy Compact Dues in Limbo

According to the Maryland Manual, the Southern States Energy Board originated as the Southern Interstate Nuclear Board, created in 1962 by the Southern Interstate Nuclear Compact. The compact has been approved by 16 southern states, Puerto Rico, the Virgin Islands, and the U.S. Congress (P.L. 87-563). Maryland ratified the compact in 1963 (Chapter 680, Acts of 1963) and the board adopted its present name in 1977. As part of the compact, Maryland is required to pay dues to the board subject to appropriation by the General Assembly. The board has expressed concern about the timeliness of both the fiscal 2012 and 2013 funding. DNR utilizes funds from the Power Plant Assessment Program's Environmental Trust Fund for dues.

DNR indicates that it no longer needs the assistance of the board nor can it afford to pay the board's dues because of reduced electricity usage – the source of Environmental Trust Fund revenues – and the other claims on the fund. However, if the General Assembly makes a valid appropriation for the purpose of paying dues, then DNR is obligated to pay the dues, which is the case in for the \$40,000 budgeted in fiscal 2013. In addition, DNR has budgeted \$40,000 for this purpose in fiscal 2014.

DNR has several recourses for fiscal 2013 and 2014: ask the Governor to submit a negative deficiency or supplemental budget to remove the fiscal 2013 and 2014 appropriations; reduce the fiscal 2013 and 2014 appropriations through Board of Public Works (BPW) actions; or submit emergency legislation to remove Maryland from the Southern States Energy Compact as specified in Economic Development Article Section 13-202, Article VIII(c). **DLS recommends that the \$40,000 in special funds programmed for the Southern States Energy Board dues be deleted for fiscal 2014 and that, in the short term, DNR and the Administration either pay the fiscal 2013 dues, bring in a negative deficiency to remove the fiscal 2013 appropriation, or reduce the fiscal 2013 appropriation through a BPW action. In the long term, DLS recommends that DNR and the Administration submit legislation to remove Maryland from the Southern States Energy Compact.**

3. Maryland Park Service Five-year Strategic Plan Submitted

The budget committees were concerned that the Administration has not acted upon the funding recommendations included in the *Maryland State Parks Funding Study* submitted in response to budget bill language passed with the fiscal 2008 operating budget. Therefore, the committees requested that DNR and DBM submit a report by December 1, 2012, providing a strategic study examining opportunities to sustainably resource Maryland State Parks and a five-year plan with recommendations to implement it. DNR submitted the requested report on February 11, 2013.

Background

The Maryland State Park System includes 66 individual parks and 137,814 acres spread from Assateague State Park on the Eastern Shore to Herrington Manor in Garrett County. Park roles are divided into operations and maintenance, and each park is managed as either a stand-alone park or as a complex of parks. According to the report, the Maryland Park Service is staffed by 235 filled regular positions. Of the 235 employees, field staff classifications include park managers (19), administrative staff (36); park rangers (70), park ranger leads (15), maintenance supervisors (23), park technicians (38), program support staff (6), and senior management staff (7). These employees are supplemented during the peak season by 800 seasonal employees. **Exhibit 6** shows that Maryland has the least number of total employees of the states compared, the highest acres per employee, and the second highest visitors per employee.

Exhibit 6
Comparison of State Parks Statistics

State	<u>Full-time Employees</u>	<u>Part-time Employees</u>	<u>Seasonal Employees</u>	<u>Total Employees</u>	<u>Total Park Acres</u>	<u>Acres Per Employee</u>	<u>Annual Visitation</u>	<u>1,000 Visitors Per Employee</u>
Maryland	233*	0	809	1,042	134,539	129.12	10,776,396	10.34
Delaware	243	210	822	1,275	25,835	20.26	4,652,806	3.65
Michigan	903	2	1,386	2,291	286,130	124.89	19,582,601	8.55
North Carolina	361	96	3,266	3,723	214,327	57.57	14,574,394	3.91
Pennsylvania	1,107	0	1,535	2,642	295,036	111.67	37,629,620	14.24
Virginia	526	608	1,338	2,472	71,602	28.97	8,062,354	3.26

*This number deviates from the number of full-time positions reported by the Department of Natural Resources.

Source: PROS Consulting, LLC via Department of Natural Resources

Program Open Space Revenues

The State transfer tax of 0.5% of the consideration paid for the exchange of real property is one of the Maryland Park Service's major revenue sources. **Exhibit 7** shows the projected increase in transfer tax revenue for the fiscal 2011 through 2017 time period based on projections of a rebound in the housing market. The Maryland Park Service estimates that there will be a cumulative increase of \$26.9 million in its budget relative to the \$21.0 million annual floor statutorily mandated in the transfer tax allocation formula. This is anticipated to boost the Maryland Park Service's budget to \$43.7 million in fiscal 2017 from a base of \$33.0 million in fiscal 2013 with minimal reliance on general funds. DNR indicates that the projected \$43.7 million funding level compares favorably with the \$42.0 million "Sustainability Budget" identified in the *Maryland State Park Funding Study*. The Administration's plan to transfer approximately \$410.7 million in transfer tax revenue in fiscal 2014 through 2018 will not impact Maryland Park Service funding because the transfer only impacts capital-eligible components of the transfer tax allocation.

Exhibit 7
Projected Program Open Space Transfer Tax Support to Maryland Park Service
Fiscal 2011-2017
(\$ in Millions)

<u>Fiscal Year</u>	<u>Transfer Tax</u>	<u>Critical Maintenance</u>	<u>Parks</u>	<u>Increase Over \$21.0 Million</u>	<u>Operating Budget*</u>
2011	\$118.5	\$10.1	\$21.0	\$0.0	\$0.0
2012	121.7	10.4	21.0	0.0	0.0
2013	133.0	11.5	21.0	0.0	33.0
2014	164.0	14.8	23.7	2.7	35.7
2015	187.1	17.0	26.9	5.9	38.9
2016	200.6	18.2	28.6	7.6	40.6
2017	221.3	20.2	31.7	10.7	43.7
Total Additional Funds				\$26.9	

*Fiscal 2013 Base Plus Increase Over \$21.0 Million

Source: Department of Natural Resources

Additional Revenue Options

The 2007 Funding Study Work Group made seven recommendations. One of the recommendations was to establish a Maryland Park Service Trust Fund, with a supporting foundation. DNR indicates that there are 26 affiliated, 501(c)(3) friends groups that conduct fundraising to support park needs, such as facility improvements, equipment, training, and programming and that the establishment of a statewide foundation remains a priority and has been under study by the Governor's Commission on State Parks.

DNR retained the services of PROS Consulting, LLC to identify best practices in parks. One such practice is to seek partnerships. Examples of such partnerships already exist in the Maryland Park Service and include the Friends of Calvert Cliffs State Park at Calvert Cliffs State Park, the Greenwell Foundation at Greenwell State Park, and the contractual relationship between the nonprofit Rosaryville Conservancy and Pineapple Alley Catering Company at Rosaryville State Park.

Another best practice recommended by PROS Consulting, LLC is to implement cost recovery. The cost recovery model developed by PROS Consulting, LLC involves a two-step process of determining the cost of services and then allocating the cost for services among three categories: (1) services that benefit all users that should be funded from broad based revenues (*e.g.*, natural resources management); (2) services that benefit only users to be funded by a user fee (*e.g.*, boat launches); and (3) services that have mixed public/private benefits funded from a mix of broad based funds and user fee revenues (*e.g.*, managing a nature center). PROS Consulting, LLC helped the Maryland Park Service develop a cost-of-services and cost recovery prototype developed in fall of 2012 with implementation to occur in fiscal 2014. Additional cost recovery recommendations include (1) operating the Maryland Park Service and individual sites using cost-based accounting, including net recovery achieved annually; and (2) performing net cost-of-service analysis of site operations including labor requirements by task and updating service delivery costs biennially.

Identification of Priority Funding Needs

The Maryland Park Service also identified priority funding needs with the assistance of PROS Consulting, LLC. The funding needs spread out over four years total \$26.4 million in operating expenses and \$28.9 million in capital expenses and are shown in **Exhibit 8**. DLS estimated that the additional ongoing annual operating costs for full-time personnel, seasonal personnel, Youth Conservation Corps, seasonal police officers, durable goods and materials, and emergency maintenance and repairs would be \$8.0 million once the 70 full-time personnel are hired. This additional annual cost appears to be reasonable given the \$10.7 million increase in projected operating budget funding between fiscal 2013 and 2017 but is contingent upon the realization of transfer tax revenue, which can be volatile.

Exhibit 8
Priority Funding Needs Total Amount Over Four Years
(\$ in Millions)

<u>Need</u>	<u>Description</u>	<u>Total Amount</u>
<i>Operating</i>		
Full-time Personnel	On average 1 additional staff person is needed in each of the 66 parks. In total, 70 positions are needed over the next seven years, of which it is assumed 35 positions are hired in the first four years at \$60,000 per position.	\$4.2
Seasonal Personnel	Seasonal personnel such as park rangers, maintenance staff, and life guards are needed over the next four years to restore positions reduced by budget cuts.	5.6
Youth Conservation Corps	Long-term contractual personnel are needed to manage Conservation Youth Corps programs.	0.4
Seasonal Police Officers	Additional seasonal police officers, totaling 33, are needed in Natural Resources Police to handle policing needs in parks.	3.5
Equipment, Vehicles, and Durable Goods	Additional heavy equipment (\$4.3 million), vehicles (\$4.6 million), and durable goods and materials (\$2.2 million) are needed.	11.1
Emergency Maintenance and Repairs	Emergency maintenance and repairs funding is needed to be able to recover from storms like Hurricane Sandy.	1.6
Subtotal		\$26.4
<i>Capital</i>		
Facilities Management – Critical Maintenance	Funding and a management plan are needed to address upgrades to water and wastewater treatment systems, backup generator power systems to maintain park operations during natural disasters, installation of alternative energy systems to reduce energy costs, and preserve historic building and sites.	28.9
Subtotal		\$28.9
Total		\$55.3

Source: Department of Natural Resources; Department of Legislative Services

DLS recommends that DNR comment on the plans for the cost-of-services and cost-recovery management plans, the possibility of expanding both nonprofit organizations

connected with Maryland parks, the use of public/private management models currently used in the State parks, and the status of the study on a statewide foundation by the Governor's Commission on State Parks.

4. Conowingo Dam Filling with Sediment

The Conowingo Dam has been described as the biggest best management practice on the Susquehanna River. It is now near 86% storage capacity for sediment, which means that it may have on the order of 10 to 15 years of storage capacity remaining, but over this time period it will probably settle into a dynamic equilibrium. This dynamic equilibrium means that it will shift from capturing two million of the three million tons that reach it per year to exchanging sediment continually with the Susquehanna River such that it is allowing for almost three million tons of sediment to flow directly into the Chesapeake Bay each year. The sediment flowing down the Susquehanna River is one of the pollutants regulated under the Chesapeake Bay Total Maximum Daily Load as is the phosphorus that binds to the sediment; nitrogen is water soluble and flows unimpeded past the dam. In 2011, Tropical Storm Lee scoured approximately four million tons of sediment from behind the dam, which added approximately two years to the dam's capacity. Concurrently, the U.S. Army Corps of Engineers is conducting the lower Susquehanna River Watershed Study, and the Federal Energy Regulatory Commission is relicensing the hydroelectric plant owned by Exelon.

U.S. Army Corps of Engineers Study

DNR, MDE, the Susquehanna River Basin Commission, and the Nature Conservancy entered into a three-year \$1.4 million study with the U.S. Army Corps of Engineers in September 2011. This study will evaluate the strategies to control sediment and other pollutants trapped in the reservoirs of the lower Susquehanna River watershed, including those that accumulate behind the Conowingo Dam. MDE and DNR indicate that the options for potential sediment management include the following.

- **Reduce Watershed Sediment Yield** – Methods to reduce the yield of sediment entering the Susquehanna River include the various State watershed implementation plans for meeting the Chesapeake Bay Total Maximum Daily Load.
- **Minimize Sediment Deposition** – Two methods considered for minimizing sediment deposition are sediment bypassing, which allows for coarse-grained sediment to flow through, and modifying dam operations to let sediment pass through during noncritical times in storm and nonstorm events.
- **Increase/Recover Sediment Volume** – Dredging, both hydraulic and mechanical, and enlarging the storage capacity behind the dam are two methods being considered to increase/recover sediment volume.

- **Reuse Innovatively** – Under innovative reuse, using the sediment to create a lightweight aggregate and to restore eroded islands are being considered.
- **Replenish** – Options for using the sediment as a source of replenishment include landfill cover, abandoned mine fill, and agricultural field fertilization.

At this point, it is estimated that any sediment remediation will be expensive, but it is not known who will pay and how much. It is likely that funding will come from multiple sources and could include the various stakeholders, including Maryland, Pennsylvania, the U.S. Army Corps of Engineers, the U.S. Environmental Protection Agency, the Susquehanna River Basin Commission, local counties and municipalities, and Exelon. DNR and MDE are working with Exelon through the hydroelectric plant relicensing process to make sure that Exelon is part of the sediment remediation solution.

Federal Energy Regulatory Commission Relicensing

The Conowingo Dam is one of a sequence of five dams along the Susquehanna River. The other dams, which are in various states of relicensing and sediment filling are Muddy Run, Holtwood Dam, Safe Harbor Dam, and York Haven Dam. The Conowingo Dam is the next dam up for relicensing, which involves the Federal Energy Regulatory Commission (FERC), Exelon, Maryland (DNR and MDE), Pennsylvania (Pennsylvania Department of Environmental Protection and Pennsylvania Fish and Boat Commission), U.S. Fish and Wildlife Service, National Oceanic and Atmospheric Administration – Fisheries, National Park Service, Susquehanna River Basin Commission, the Nature Conservancy, and the Lower Susquehanna Riverkeeper. In terms of the relicensing timeline, the final license application date was August 31, 2012, settlement negotiations began October 2012, and the current license expires September 1, 2014. As part of the relicensing process, FERC approved a total of 32 scientific studies on a range of historical, cultural, and environmental themes.

DNR and MDE indicate that they want to accomplish the following as part of the relicensing process: (1) manage sediment properly; (2) improve fish passage to allow for the goals of restoring 2.0 million American Shad and 8.2 million American Eel within 10 years; (3) restore freshwater mussels for water quality and filtration capabilities; (4) enhance flow conditions to improve downstream habitat and reduce fish stranding; (5) expand and improve recreational opportunities; (6) implement best management practices for debris management; (7) preserve land; and (8) protect rare, threatened, and endangered species. **DLS recommends that DNR comment on the preferred Conowingo Dam sediment remediation solution; the possible cost; who might reasonably be expected to pay for it, and how.**

5. Fisheries Service Cost Recovery

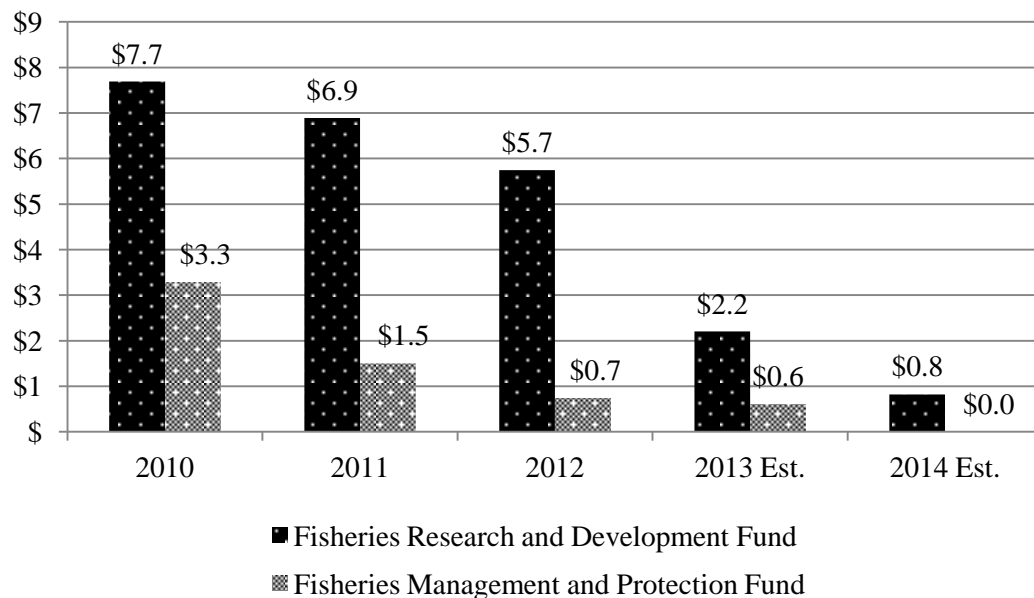
Chapter 435 of 2012 ((Natural Resources – Commercial Fishing Licenses, Authorizations, and Permits) required a fair and reasonable allocation of general fund appropriations for fishery

management between the recreational and commercial fisheries. The bill also required DNR to undertake a review of the existing laws, regulations, fees, and processes associated with commercial fishing licenses and to report findings and recommendations for changes to the commercial fish license and permit fee structure to the Governor and the General Assembly by October 1, 2012. DNR submitted the report identifying costs that need to be borne by the commercial fishery and the community. SB 662/HB 1253 have been introduced as crossfiled legislation in the 2013 legislative session to raise commercial fishing fees in order to address costs not fully borne by the industry.

Background

DNR fishing license and stamp fee revenue is deposited into the Fisheries Research and Development Fund and the Fisheries Management and Protection Fund and used to fund programs related to fish population monitoring and assessment, buoys and navigation, conservation, habitat protection and restoration, and enforcement. Both special funds are projected to approach zero balances at the end of fiscal 2014 as a result of offsetting general fund reductions in recent years, as shown in **Exhibit 9**.

Exhibit 9
Fisheries Service Special Funds Closing Balances
Fiscal 2010-2014
(\$ in Millions)



Source: Department of Budget and Management; Department of Legislative Services

Cost Recovery Report

The cost recovery report allocates salary and nonsalary costs for the Fisheries Service. In addition, the report allocates costs to the Natural Resources Police (\$3,229,995), Licensing and Registration Service (\$850,000), and the Office of the Secretary (\$1,613,900) since they provide support services such as law enforcement and licensing. These salary and nonsalary costs were first allocated to the community sector and then divided between the four remaining sectors, as shown in **Exhibit 10**. The numbers include costs needed to offset both fiscal 2013 funding and blue crab survey funding due to the expiring of federal funds for the blue crab fishery. Negative dollar values reflect a deficit and thus the need for license or other revenues to cover costs. The overall shortfall between costs and current revenues was covered in fiscal 2013, primarily by drawing down special fund balances.

The overall deficit is \$3,295,462 with the highest deficit in the commercial sector at \$2,719,062. The sector with the second highest deficit is the community sector at \$2,126,497. However, DNR indicates that the 2008 *Report of the Taskforce on Fisheries Management* justifies the use of the recreational surplus of \$1,550,097 to partially offset the community sector's deficit so that the community sector's deficit is only \$576,400. Aquaculture is not included in the cost recovery analysis due to its nascent nature.

Exhibit 10
Cost Recovery Surplus/Deficits by Sector
Fiscal 2013

<u>Sector</u>	<u>Description</u>	<u>Cost</u>	<u>Revenues</u>		<u>Deficit/Surplus</u>
			<u>FF, GF, RF</u>	<u>License Fees</u>	
Community	The community sector includes citizens of Maryland in general in their roles as consumers of locally harvested seafood as well as their existential roles as people who may wish to fish at some point or even just like to know that others can fish.	\$6,212,244	\$4,085,747	\$0	-\$2,126,497
Recreational – Inland		5,286,370	2,544,040	3,089,315	346,986
Recreational – Tidal		6,163,553	2,695,960	4,670,704	1,203,111
Commercial	The commercial sector is further broken down into blue crab, striped bass, oyster, and other.	6,909,228	2,617,000	1,573,166	-2,719,062
Aquaculture		1,571,750	1,521,713	50,037	0
Total		\$26,143,145	\$13,464,460	\$9,383,222	-\$3,295,462

FF: federal funds

GF: general funds

RF: reimbursable funds

Note: Numbers may not sum to total due to rounding. The numbers include the need to fund a blue crab survey previously funded with blue crab federal disaster funding.

Source: Department of Natural Resources; Department of Legislative Services

2013 Session Legislation

The \$2,719,062 deficit in the commercial sector and the \$576,400 deficit in the community sector remain to be resolved. The cost recovery report indicates that the Tidal Fish Advisory Commission – representing the commercial sector – recommended a \$1,600,000 increase in commercial license fees, several license structure changes, and \$800,000 in matching general funds. SB 662/HB 1253 have been introduced as crossfiled legislation in the 2013 legislative session to raise commercial fishing fees.

Fiscal 2014 and Beyond

DNR indicates that the fiscal 2014 allowance includes a \$900,000 increase in general funds for the Fisheries Research and Development Fund, which is allocated between the Natural Resources Police and the Fisheries Service. If the proposed legislation raised \$1,600,000 and the \$900,000 in general fund match were to be maintained, then there still appears to be a \$795,462 gap between the available new revenues of \$2,500,000 and the overall deficit of \$3,295,462. A couple of options for handling the remaining deficit are either explicitly mentioned in the report or may be inferred from it as follows:

- **Electronic Reporting Systems** – By adopting an electronic reporting system for all fisheries and types of gear, DNR could eliminate the need for paper logbooks and the need for data entry, which reduce management costs, although the costs to develop a system would need to be considered. DNR is piloting electronic reporting systems now.
- **Individual Fishing Quota** – An individual fishing quota system based on the principle that each person is allocated a certain number of fish based on their catch history would not only reduce the latent effort – licensed potential fishing effort that has not been used to full capacity in recent years – in fisheries, but would also cut back on DNR’s need to micromanage the distribution of fish tags in what is now called the derby style or race-to-fish style of fish management. DNR has chosen to implement an individual fishing quota system for the striped bass fishery for fiscal 2014.
- **Special Fund Allocation** – While the Natural Resources Police, Licensing and Registration Service, and Office of the Secretary provide services in one way or another to the Fisheries Service, there does not appear to have been a discussion about whether these other entities should more appropriately be receiving funding from other sources. If they were to receive revenue from other sources, then there would be more fishing license revenue available for the Fisheries Service.

DLS recommends that DNR comment on how the \$795,462 gap between the potential available new revenues of \$2,500,000 (\$1,600,000 increase from license revenue and \$900,000 in general funds) and the overall deficit of \$3,295,462 will be resolved. In addition, DLS recommends that DNR comment on whether the Natural Resources Police, Licensing and Registration Service, and Office of the Secretary could be funded from other sources and thus allow for more special funds to stay within the Fisheries Service.

6. Natural Resources Police Level of Service Standards

The budget committees were concerned that the Natural Resources Police does not have standards by which the efficacy of its work can be measured. This was of concern given the amount of scrutiny that poaching in the rockfish and oyster fisheries has raised and the general discussions about staffing shortfalls in the Natural Resources Police. Therefore, the committees requested that

DNR submit a report on the Natural Resources Police level of service standards. The report was requested to include a workload analysis, response time metrics, staffing levels for authorized and filled law enforcement officer positions, evaluation of law enforcement officer work for civilianization, and pertinent crime rates. In addition, on a separate but related theme, the budget committees requested that a proposal be developed for the consolidation of various State police forces by the Governor's Office of Crime Control and Prevention (GOCCP), in consultation with the State Law Enforcement Coordinating Council and DLS.

Level of Services Report

DNR's overall level of services report conclusion is that there are insufficient numbers of law enforcement officers. In addition, there appears to be a concern that more time needs to be spent in the field on officer-initiated patrols to identify and deter natural resource violations. But getting out of the office is not enough, because the Natural Resources Police is also spending considerable time patrolling public lands, a responsibility that was taken on after the merger with the Park Rangers in 2005 as recommended in the *Report of the Commission on the Structure and Efficiency of State Government*. In fact, DNR is concerned that it has been somewhat forced into a reactive stance of answering calls for service rather than a proactive approach of patrol and prevention. A summary of the main topics requested in the report is as follows.

- **Response Time Metrics** – The median time for response to an urgent, or Priority 1, call (officer needed immediately) is 20 minutes. The median time is 28 minutes for Priority 2 calls (officer needed promptly).
- **Staffing Levels** – As of December 1, 2012, the Natural Resources Police had 238 authorized law enforcement positions (216 filled), 55 authorized civilian positions (50 filled), and 13 civilian positions set aside for hiring cadets (zero filled). There are 5 part-time contractual law enforcement officers (5 filled) and 2 contractual Reserve Officer Coordinators (2 filled). The total number of filled regular positions and contractual positions is 273. The total authorized force of regular positions is 306, of which 266 are filled.
- **Civilianization** – In October 1, 2012, the public information officer position, a law enforcement officer position, was civilianized. Several additional positions have been identified for civilianization but were not specifically named in the report. DNR is looking into having recruits learn general law enforcement material through the Maryland Police Training Commission's Police Entrance Level Training, which would reduce the time Natural Resources Police officers spend doing this. DNR is also looking into having retired Natural Resources Police officers or officers from other police departments perform background investigations in order to free up Natural Resources Police officers for patrolling duties.
- **Crime Rates** – There do not appear to be good metrics on officer-initiated patrols and thus crimes detected since the reporting does not distinguish between officer-initiated patrols and public call responses. In addition, natural resources violations are not included in Uniform Crime Reports, although DNR has developed a program to extract information on violations.

K00A – Department of Natural Resources

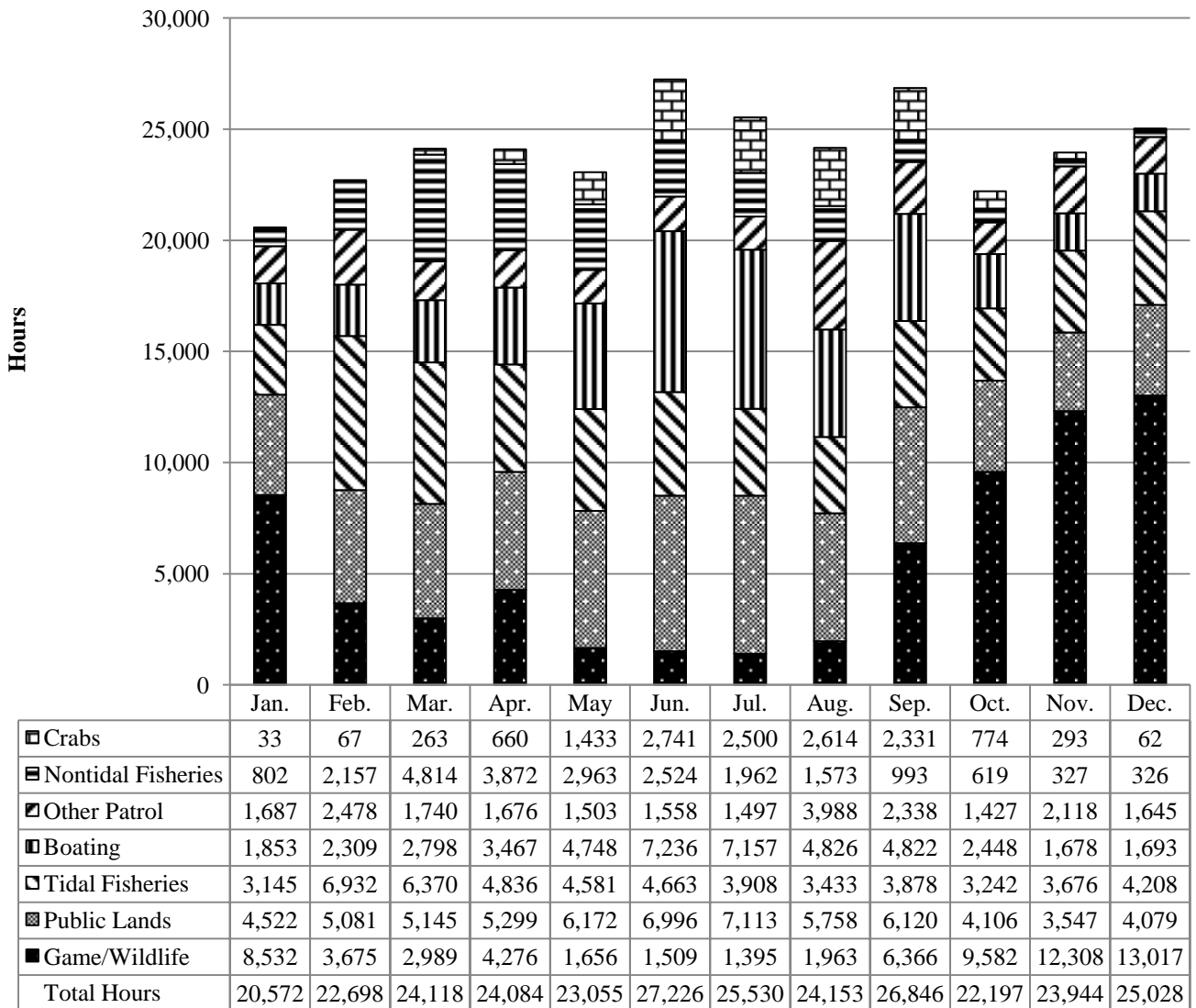
DNR notes that there has been an increase in the number of citations between 2004 and 2011, although the number of warnings decreased by 24% during this time period. DNR indicates that the citations primarily were for crabbing, oyster, and tidal fisheries violations, and the decrease in warnings was due to fewer boating violations as a result of reduced boating safety patrols.

DNR's workload analysis methodology is based on the International Association of Chiefs of Police's workforce analyses. The main categories of policework are broken down as follows.

- **Administrative Duties** – This is the overhead aspect of policework and includes writing reports and conferring with supervisors. For Maryland, slightly less than 30% of the policework time is spent on administrative duties, which is good by the International Association of Chiefs of Police's standards, but may be underreported. Underreporting is possible due to the tendency to code work time as enforcement when in fact the time may be spent writing a report about the enforcement action.
- **Public Call Responses** – Another component of policework is the response to calls for assistance from the public. There appears to be a concern that Natural Resources Police spend too much of their time responding to such calls. For instance, it is noted that calls for service increased from 6,848 in calendar 2009 to 7,807 in calendar 2011. In addition, it is noted that public call responses reduce the amount of time available for boating safety and conservation patrols and the ability to build solid cases against deliberate repeat violators through intensive surveillance and investigation.
- **Officer-Initiated Patrols** – The Natural Resources Police puts the most emphasis on its officer-initiated patrols to identify and deter natural resource violations. There is the concern that too little time is spent on this activity.

Exhibit 11 shows the Natural Resources Police's ideal patrol workload hours by activity and month. This data reflects the higher of the maximum patrol hours for all seven patrolling categories and regions of the State from the 2004, before the merger with the Park Rangers, and 2009-2011 time periods. One of the most salient characteristics of the patrol workload is the seasonality of the peak season – June through September – and of each of the patrolling activities. Game/wildlife patrolling is the single largest activity all year and is the predominant activity from September through January. From February through August, patrolling on public lands is the predominant activity. Tidal fisheries patrolling peaks in February and March, while boating patrolling peaks in June and July at the height of the boating season.

Exhibit 11
Ideal Patrol Workload Hours by Activity and Month



Note: The patrol workload hours reflects boating safety and conservation patrols restored to ideal 2004 levels.

Source: Department of Natural Resources

In terms of the appropriate level of staffing, the level of services report mentions that the International Association of Chiefs of Police believes a *per capita* measure is an inappropriate basis for staffing decisions. Therefore, DNR used the data from the patrol workload hours analysis and derived an optimal average year-round monthly workload of 23,212 officer patrol hours and a peak

workload during the summer months of 27,226 patrol hours per month. Therefore, based on estimates that officers spend 30% of their time on administrative duties and that newer officers have less leave accrued and thus have more time on the job, DNR estimates that it would need 70 new year-round permanent officers to handle the base 23,207 patrol hours plus an additional 28 seasonal officers for the summer peak season, as shown in **Exhibit 12**. DNR indicates that the seasonal officers could be a combination of retired officers who used the Deferred Retirement Option Program and are re-hired on a contractual basis and young adults who are trained for a month similar to the summer program used by the Ocean City Police Department.

Exhibit 12
Workload Analysis

<u>Time Period</u>	<u>Officer Type</u>	<u>Number</u>	<u>Hours Per Month</u>	<u>Number of Hours</u>
<i>Year-Round</i>	Existing Patrol Officers	146	99	14,454
	Recently Hired Patrol Officers	17	101	1,717
	New Year-round Permanent Officers	70	101	7,070
	<i>Subtotal</i>	233		23,241
<i>Peak Season</i>	Existing Seasonal Contractual Officers	5	121	605
	New Seasonal Officers for Seasonal Peak	28	121	3,388
	<i>Subtotal</i>	33		3,993
	Total	266		27,234

Source: Department of Natural Resources; Department of Legislative Services

Consolidation Report

The budget committees requested that a proposal be developed for the consolidation of various State police forces by GOCCP, in consultation with the State Law Enforcement Coordinating Council and DLS. The consolidation report found the following:

While consolidation of basic law enforcement training resources, IT and purchasing activity may have a potential cost savings for the State, the mission and responsibilities of the NRP (Natural Resources Police) are so unique that a consolidation of the NRP with Maryland State Police would not yield any substantial operational improvements. In fact, the consolidation of NRP and MSP [Maryland State Police] would probably weaken the ability to deliver key services to Maryland's citizens. Many officers with NRP were drawn to the agency because of the agency's primary mission – the enforcement of conservation laws and regulations – and their personal affinity for the environment. Consequently, NRP officers may not be suitable for, or experienced, in traditional law enforcement. This may hamper one of

K00A – Department of Natural Resources

the primary goals of any consolidation – the flexibility to cross-deploy officers as needed.

DLS recommends that DNR comment on how it intends to fund the proposed 70 additional full-time law enforcement officers and 28 seasonal officers needed to reach ideal staffing levels.

Recommended Actions

1. Add the following language:

Provided that the amount budgeted for regular position turnover expectancy (comptroller subobject 0189) shall be reduced by the following amounts: \$364,000 in general funds, \$389,000 in special funds, and \$63,000 in federal funds.

Explanation: The budgeted agency turnover rate is 4.13% in the fiscal 2014 allowance despite an 8.44% vacancy rate as of December 31, 2012. This turnover increase to 5.00% more properly aligns the Department of Natural Resources' budget with the current vacancy rate. The agency shall allocate the reductions across its divisions.

2. Concur with the following language on the general fund appropriation:

, provided that this appropriation shall be reduced by \$1,217,000 contingent upon the enactment of legislation to allow the use of Program Open Space funds to be used to cover administrative costs.

Explanation: The fiscal 2014 budget bill as introduced includes a \$1,217,000 reduction for Office of the Secretary – Finance and Administrative Service contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2013 authorizing the same amount of funding to be used for fiscal 2014 and 2015 in the budgets of DNR, the Department of General Services, and the Department of Planning for expenses necessary to administer Program Open Space. This action concurs with the contingent reduction of \$1,217,000 in general funds for Finance and Administrative Service.

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|----|
| 3. Delete \$40,000 in special funds from the Environmental Trust Fund for the Southern States Energy Board dues. The Department of Natural Resources indicates that it no longer benefits from being a part of the Southern States Energy Compact. | \$ 40,000 | SF |
| 4. Delete the \$2,800,000 general fund deficiency that is intended to backfill an estimated reduction in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues. Instead, it is recommended that the Department of Natural Resources revise its fiscal 2013 spending plan. | 2,800,000 | GF |

K00A – Department of Natural Resources

Total Reductions to Fiscal 2013 Deficiency	\$ 2,800,000
---	---------------------

Total Special Fund Reductions to Allowance	\$ 40,000
---	------------------

Updates

1. Calvert County Youth Recreation Opportunities Fund Update

Chapter 603 established the Calvert County Youth Recreational Opportunities Fund, which is a special, nonlapsing fund administered by the Secretary of the Department of Natural Resources for the purpose of increasing youth recreational opportunities in Calvert County. The fund may be used only for projects that are approved by the Secretary and that receive contributions from the county; expenditures from the fund may be made only in accordance with the State budget and must supplement, not supplant, funding appropriated for youth recreational opportunities in Calvert County. In particular, DNR indicates that project requirements will be similar to those of POS projects, but that no project list is currently available. Calvert County will be able to use the funding to cover 100% of property acquisition costs and 75% of development costs. A 25% match will be required.

A budget amendment in fiscal 2013 increased the special fund appropriation to DNR's operating budget by \$2,098,800. The appropriation was made available to the Land Acquisition and Planning program as part of the distribution of admissions and amusement tax available to DNR for use in Calvert County via Chapter 603. The funding amount was derived by applying an 8% tax rate to the \$27,485,000 in admissions and amusement tax estimated to be generated in Calvert County in fiscal 2013. Of this amount, \$100,000 is to be distributed to the Boys and Girls Club of the Town of North Beach and the remainder – the \$2,098,800 reflected in the budget amendment – to DNR.

DNR indicates that preliminary approval has been granted via letter to Calvert County for the county to acquire the Ward property and develop it into a regional park. However, revenue estimates appear to be down by approximately 27%; revenue generated by the fund from July to December 2012 was approximately \$371,000.

2. Harriet Tubman Underground Railroad State Park Update

The Harriet Tubman Underground Railroad State Park in Dorchester County has been a joint State and federal venture. Dorchester County is the last county without a State park, which will be remedied when park operations start in fiscal 2014/2015. The fiscal 2014 allowance includes 1 park services manager I position, which will serve as the park manager for the park and lead park development and operations. DNR anticipates an annual operating budget of approximately \$562,000 in fiscal 2015, which includes the salaries for the park manager, a park ranger, a maintenance supervisor, and an administrative assistant.

The Maryland Park Service is working with the National Park Service and the U.S. Fish and Wildlife Service to develop a joint operating plan in anticipation of a future National Monument designation for certain lands surrounding the State park. DNR indicates that once a National Park unit is established, the National Park Service anticipates colocating staff and resources at the State park and is committed to providing funding support for the park operation.

3. Executive Order on Climate Change

The Governor signed Executive Order 01.01.2012.29 on climate change and “coast smart” construction on December 28, 2012. The executive order requires that DNR, in consultation with the Maryland Commission on Climate Change and/or other relevant parties as necessary, develop additional proposed guidelines concerning climate change and coast smart construction. DNR is required to convene a meeting to discuss implementation and recommendations within 45 days of the effective date of the executive order and provide an initial report to the Governor within nine months. The report shall include recommendations for additional coast smart criteria for the siting and design of new, reconstructed, or rehabilitated State structures, as well as other infrastructure improvements such as roads, bridges, sewer and water systems, drainage systems, and essential public utilities. Recommendations are also required concerning the potential application of coast smart guidelines to non-State infrastructure projects that are partially or fully funded by State agencies.

In addition, the Critical Area Commission for the Chesapeake and Atlantic Coastal Bays should evaluate existing regulations and policies for State agency actions resulting in development on State-owned lands and consider the option of new or revised provisions that address climate change and the risk of sea level rise and other extreme weather-related impacts.

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Natural Resources (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$42,859	\$126,931	\$31,489	\$8,931	\$210,210
Deficiency Appropriation	1,087	0	0	0	1,087
Budget Amendments	1,028	-9,498	1,513	7,375	419
Reversions and Cancellations	-362	-8,307	-5,962	-4,071	-18,702
Actual Expenditures	\$44,612	\$109,126	\$27,041	\$12,235	\$193,014
Fiscal 2013					
Legislative Appropriation	\$44,950	\$128,516	\$28,307	\$13,488	\$215,260
Budget Amendments	-99	-6,617	99	1,729	-4,888
Working Appropriation	\$44,850	\$121,899	\$28,405	\$15,217	\$210,372

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

DNR's general fund appropriation increased by \$1,752,816 as follows:

- **Deficiency Appropriation** – an increase of \$1,086,730 to support a bridge security initiative in the Natural Resources Police comprised of funding for additional equipment (\$824,653), contractual services (\$261,389), supplies and materials (\$632), and communications (\$56) needed to reimburse the procurement and installation of special camera equipment at specific locations in order to address a homeland security threat at the end of fiscal 2011.
- **Budget Amendments** – an increase of \$1,028,055 including the allocation of the State Law Enforcement Officer Labor Alliance salary-related bargaining increase to Natural Resources Police law enforcement officers (\$439,127); reflection of the move of MDA's Aquaculture Development and Seafood Marketing program and MDE functionality to DNR as part of the transfer of aquaculture responsibilities per Natural Resources – Aquaculture (Chapter 411 of 2011) (\$314,611 and 4 positions); allocation of the general fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$245,317); and allocation of the estimated telecommunications expenditures (\$29,000).
- **Reversions** – a decrease of \$361,969 primarily as a result of reversions due to cost containment in Natural Resources Police – Field Operations (\$178,276), Fisheries Service (\$150,000), and Critical Area Commission (\$31,653).

DNR's special fund appropriation decreased by \$17,805,262 as follows:

- **Budget Amendments** – a net decrease of \$9,498,126 comprised of reductions for appropriation realigned to MDA from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues (\$13,180,000), for Fisheries Service oyster restoration work due to reduced federal funding (\$1,800,000), and for the early completion of MLEIN (\$660,000), which are partially offset by increases in appropriation for backfilling Forest Service general funds reduced per Chapter 397 (\$1,740,000), for appropriation realigned from DNR's Outdoor Recreation Land Loan PAYGO budget to DNR's Land Acquisition and Planning operating budget to mitigate the steep decline in transfer tax revenues that is available for POS administration per Chapter 397 (\$1,217,000), for payments to a private contractor for management of the Chesapeake and Pocomoke Forests based on a change in the contract (\$1,060,000), for Maryland Park Service – Revenue Operations to operate new revenue generating concession programs at Assateague Island, Rocky Gap, Gunpowder Falls, Susquehanna, and New Germany (\$700,000), for allocating the special fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$444,876), for communications and intelligence sharing hardware and technology in order to improve statewide wireless communication in Natural Resources Police – General Direction from a fiber optic right-of-way license agreement (\$392,545), for matching the federal fiscal 2008 Port Security Grant in order to purchase radio equipment in Natural Resources Police – Field Operations from the sale of a helicopter and related equipment (\$326,295), for Maryland Park Service – Statewide Operations program for

K00A – Department of Natural Resources

seasonal labor expenses (\$200,000), and for allocating the State Law Enforcement Officer Labor Alliance salary-related bargaining increase to Maryland Park Service law enforcement officers (\$61,158).

- **Cancellations** – a decrease of \$8,307,136, primarily as a result of cancellations due to appropriations not being needed in Fisheries Service (\$2,383,198), Forest Service (\$1,334,863), Boating Services (\$1,043,222), Natural Resources Police – Field Operations (\$1,000,433), and Natural Resources Police – General Direction (\$731,257).

DNR's federal fund appropriation decreases by \$4,448,317 as follows:

- **Budget Amendments** – a net increase of \$1,513,480 due to increases for the purchase of a vessel, light crane, and other equipment in Boating Services (\$375,000), for purchasing anti-terrorism maritime infrastructure in Natural Resources Police – General Direction from the federal fiscal 2009 Port Security Grant originally budgeted in State fiscal 2011 (\$307,603), for matching other federal awards that allow for the purchase of law enforcement equipment in Natural Resources Police – Field Operations from U.S. Department of Justice Forfeiture and Seizure Program funding related to the High Intensity Drug Trafficking Area program (\$275,700), for additional work in the Monitoring and Ecosystem Assessment program as part of multi-year contracts for analytical testing of water samples and water quality monitoring from U.S. Environmental Protection Agency's Chesapeake Bay Program funding (\$240,000), for the acquisition of equipment in order to improve interoperability in the Ocean City area through the Tac-Stack radio interoperability project from the federal fiscal 2009 Homeland Security Grant funding through the Virginia Department of Emergency Management (\$156,201), for out-of-State forest fire costs in the Forest Service (\$150,000), for Hunter Education Program enhancement in Natural Resources Police – General Direction from U.S. Department of the Interior Wildlife Restoration funding (\$129,853), and for allocating the federal fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$59,123), which are partially offset by a decrease due to the early completion of MLEIN (\$180,000).
- **Cancellations** – a decrease of \$5,961,797 primarily as a result of cancellations due to appropriations not being needed since federal funds were not available in Fisheries Service (\$3,232,523), Watershed Services (\$646,940), Boating Services (\$497,672), Natural Resources Police – General Direction (\$373,568), Wildlife and Heritage Service (\$370,403), and Natural Resources Police – Field Operations (\$337,353).

DNR's reimbursable fund appropriation increases by \$3,304,196 as follows:

- **Budget Amendments** – an increase of \$7,375,264 including funding transferred from the Maryland Emergency Management Agency for homeland security equipment related to the MLEIN and Tac-Stack radio interoperability projects, three patrol vessels and one debris recovery vessel, contractual services with the Naval Research Lab to install Automatic Identification Systems on 15 vessels for tracking purposes, Boat Operators Anti-Terrorism training, and funding needed to expand DNR's ability to monitor State waterways

K00A – Department of Natural Resources

(\$5,538,489); transferred internally within DNR for bottom mapping, analysis support, and habitat monitoring for oysters, Maryland iMap Internet Mapping applications, construction of a floodplain project, and strategic monitoring initiatives (\$902,675); transferred from the Maryland Port Administration for conducting the Oyster Recovery Agreement memorandum of understanding (\$375,000); transferred from the Maryland Environmental Service to stock the Patapsco River with shad and herring as part of the Masonville Mitigation project (\$350,000); transferred from MDE to conduct major hydrologic studies of the coastal plain and fractured bedrock aquifer systems in support of the Governor's advisory committee on the management and protection of the State's water resources (\$166,100); and transferred from the State Highway Administration (SHA) for maintenance on the Pocomoke State Forest off-road vehicle trail, installation of vault toilets at Green Ridge State Forest, and completion of the Governor's Forest Brigade (\$43,000).

- **Cancellations** – a decrease of \$4,071,068, primarily as a result of cancellations due to appropriations not being needed since reimbursable funds were not available in Natural Resources Police – General Direction (\$2,561,194), Maryland Park Service (\$453,063), Watershed Services (\$251,923), and Forest Service (\$237,500).

Fiscal 2013

DNR's general fund appropriation decreases by \$99,346 by budget amendment due to the reallocation of funding from DNR's Office of the Secretary – IT Service to DoIT for the positions and funding related to Geographic Information Systems and web design in accordance with Sections 19 and 20 of the fiscal 2013 budget bill.

DNR's special fund appropriation decreases by a net of \$6,617,026 by budget amendment due to the allocation of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding to the MDA (\$9,400,000), which is partially offset by increases for allocating funding to the Land Acquisition and Planning program funding from the admissions and amusement tax available to DNR for use in Calvert County to increase youth recreational opportunities via Chapter 603 (\$2,098,800), and reallocation of the fiscal 2013 special fund appropriation for the COLA since the General Assembly created a special fund source, Budget Restoration Fund, during the First Special Session of 2012 in order to fund the general fund share of the COLA (\$684,174).

DNR's federal fund appropriation increases by \$98,611 by budget amendment for allocation of the fiscal 2013 federal fund appropriation for the COLA.

DNR's reimbursable fund appropriation increases by \$1,729,450 for funding transferred from SHA to the Maryland Environmental Trust to acquire property easements in Frederick County as part of the "Saving Maryland's Critical Civil War Battlefields" project in order to preserve historic sites in Frederick County (\$979,450), and from the Maryland Energy Administration for meteorological, ecological, and oceanographic studies related to offshore wind from a portion of the \$30,000,000 offshore wind contribution in the Strategic Energy Investment Fund that was one of the conditions of the Exelon and Constellation merger (\$750,000).

**Object/Fund Difference Report
Department of Natural Resources**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,279.00	1,293.50	1,294.50	1.00	0.1%
02 Contractual	365.88	392.53	404.46	11.93	3.0%
Total Positions	1,644.88	1,686.03	1,698.96	12.93	0.8%
Objects					
01 Salaries and Wages	\$ 105,072,447	\$ 112,599,752	\$ 114,072,687	\$ 1,472,935	1.3%
02 Technical and Spec. Fees	9,859,719	9,926,195	10,607,425	681,230	6.9%
03 Communication	1,805,081	1,946,172	2,078,188	132,016	6.8%
04 Travel	510,394	514,048	468,944	-45,104	-8.8%
06 Fuel and Utilities	5,344,443	5,219,600	4,919,308	-300,292	-5.8%
07 Motor Vehicles	7,730,666	7,928,097	7,974,877	46,780	0.6%
08 Contractual Services	45,987,360	35,095,258	31,854,966	-3,240,292	-9.2%
09 Supplies and Materials	6,723,716	6,193,317	7,081,408	888,091	14.3%
10 Equipment – Replacement	890,354	999,348	897,147	-102,201	-10.2%
11 Equipment – Additional	2,517,763	3,727,222	2,693,423	-1,033,799	-27.7%
12 Grants, Subsidies, and Contributions	3,822,680	22,887,770	38,660,112	15,772,342	68.9%
13 Fixed Charges	2,649,140	2,990,490	3,003,122	12,632	0.4%
14 Land and Structures	100,050	344,532	192,504	-152,028	-44.1%
Total Objects	\$ 193,013,813	\$ 210,371,801	\$ 224,504,111	\$ 14,132,310	6.7%
Funds					
01 General Fund	\$ 44,611,589	\$ 44,850,331	\$ 51,740,000	\$ 6,889,669	15.4%
03 Special Fund	109,125,802	121,899,278	133,664,886	11,765,608	9.7%
05 Federal Fund	27,041,168	28,405,188	26,697,339	-1,707,849	-6.0%
09 Reimbursable Fund	12,235,254	15,217,004	12,401,886	-2,815,118	-18.5%
Total Funds	\$ 193,013,813	\$ 210,371,801	\$ 224,504,111	\$ 14,132,310	6.7%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary
Department of Natural Resources**

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 Office of the Secretary	\$ 13,415,327	\$ 14,764,836	\$ 15,711,488	\$ 946,652	6.4%
02 Forestry Service	10,718,752	12,848,213	11,792,400	-1,055,813	-8.2%
03 Wildlife and Heritage Service	9,373,468	9,504,554	9,829,162	324,608	3.4%
04 Maryland Park Service	36,035,256	34,715,984	39,353,396	4,637,412	13.4%
05 Capital Grants and Loan Administration	3,916,064	6,209,286	5,178,843	-1,030,443	-16.6%
06 Licensing and Registration Service	3,220,536	3,538,280	3,476,250	-62,030	-1.8%
07 Natural Resources Police	39,222,314	43,664,230	41,150,985	-2,513,245	-5.8%
09 Engineering and Construction	4,524,974	4,272,669	4,433,943	161,274	3.8%
10 Chesapeake Bay Critical Area Commission	1,828,799	1,924,651	2,047,579	122,928	6.4%
11 Maryland Geological Survey	5,332,416	6,513,730	6,569,220	55,490	0.9%
12 Resource Assessment Service	17,762,225	17,645,902	17,408,238	-237,664	-1.3%
13 Maryland Environmental Trust	837,613	1,797,767	1,338,512	-459,255	-25.5%
14 Watershed Services	21,545,902	28,586,275	43,075,044	14,488,769	50.7%
17 Fisheries Service	25,280,167	24,385,424	23,139,051	-1,246,373	-5.1%
Total Expenditures	\$ 193,013,813	\$ 210,371,801	\$ 224,504,111	\$ 14,132,310	6.7%
General Fund	\$ 44,611,589	\$ 44,850,331	\$ 51,740,000	\$ 6,889,669	15.4%
Special Fund	109,125,802	121,899,278	133,664,886	11,765,608	9.7%
Federal Fund	27,041,168	28,405,188	26,697,339	-1,707,849	-6.0%
Total Appropriations	\$ 180,778,559	\$ 195,154,797	\$ 212,102,225	\$ 16,947,428	8.7%
Reimbursable Fund	\$ 12,235,254	\$ 15,217,004	\$ 12,401,886	-\$ 2,815,118	-18.5%
Total Funds	\$ 193,013,813	\$ 210,371,801	\$ 224,504,111	\$ 14,132,310	6.7%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.